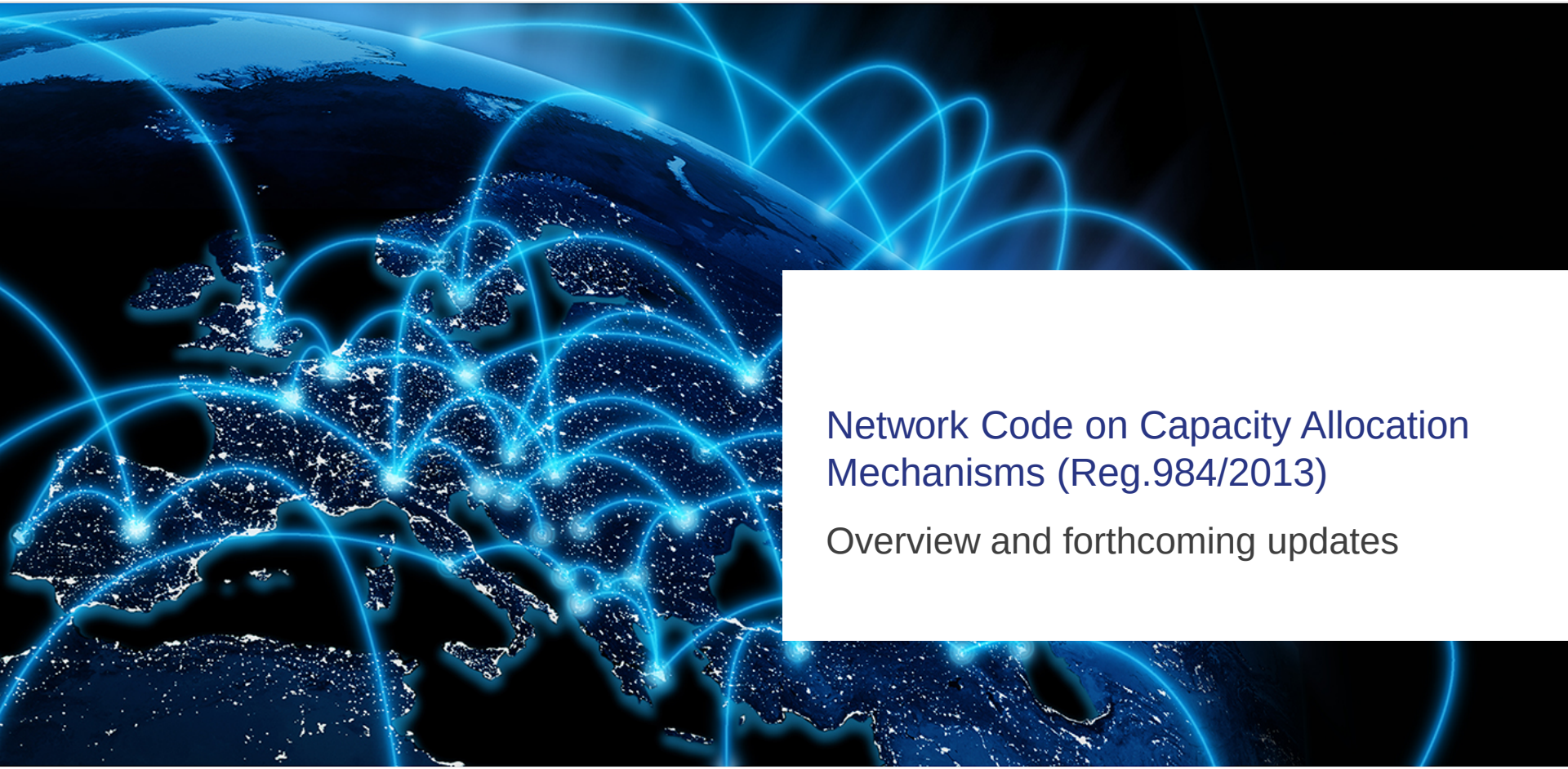


Network Code on Capacity Allocation Mechanisms (Reg.984/2013)

Overview and forthcoming updates

Outline

1. General provisions i.e. applicability
2. Principles of cooperation
3. Allocation of firm capacity
4. Bundling of capacity
5. Incremental capacity process
6. Interruptible capacity
7. Capacity booking platforms

General provisions

• Applicability:

➢ as in CMP Annex to Regulation 715/2009!

➢ for existing (technical and interruptible as well as additional capacity released through CMP measures) and incremental capacity

➢ Incremental capacity: possible future increase via market- based procedures in technical capacity or possible new capacity…that may be offered based on investment in physical infrastructure or long- term capacity optimization and subsequently allocated subject to positive outcome of an ecnomic test, in the following cases:

– at existing IPs,

– by establishing a new IP,

– as physical reverse flow capacity at IPs, which has not been offered before

Principles of cooperation

- coordination of maintenance
- standardization of communication
- capacity calculation and maximization:

➢ TSOs shall establish and apply joint method to calculate maximum technical bundled capacity

➢ new: methodology developed should guarantee that, in case of crises (SoS) or exceptional event (IO), firm capacity at IPs has priority over exits to storages

- Exchange of information between adjacent TSOs (link to IO NC)

Allocation of firm capacity (1)

- auctions to be used at all IPs, except where alternative allocation methodology is applied
- 20% of technical capacity to be set aside (if available): 10% to be offered not earlier than in the annual yearly capacity auction, 10% no earlier than the annual quarterly capacity auction
- for incremental capacity: 10% not earlier than quarterly capacity auction
- capacity created via non- market based procedures and for which the FID has been taken without prior commitments from network users shall be allocated as available standard capacity products (as described in the CAM Regulation)

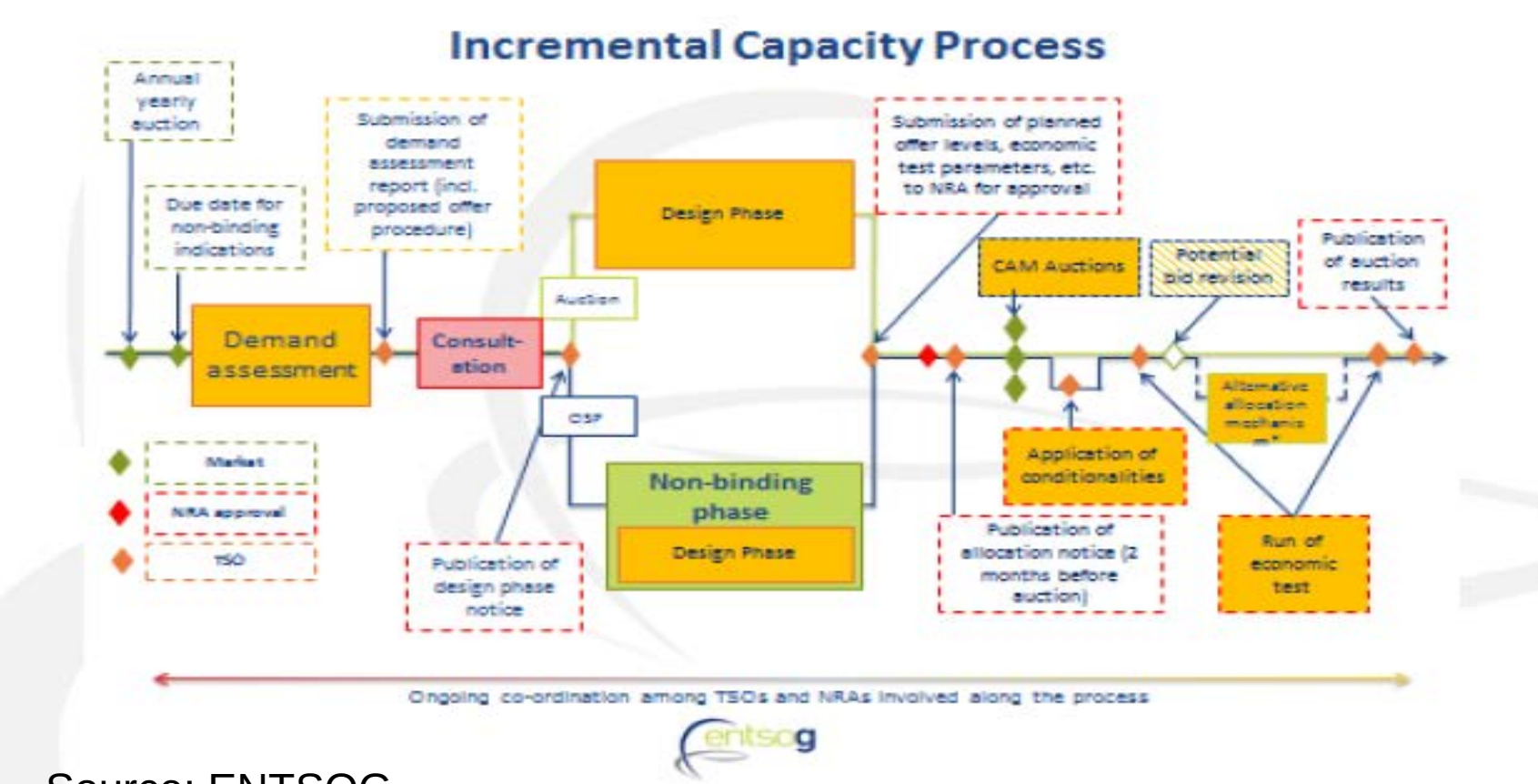
Allocation of firm capacity (2)

- standard capacity products: yearly, quarterly, monthly, day- ahead and within day
- applied capacity unit: kWh/h or kWh/d
- Auctions: annual yearly (for up to 15 years, for incremental capacity 15 years after the start of operational use), annual quarterly, rolling monthly, rolling day- ahead and within- day
- Auction algorithms:
  - ascending clock for yearly, quarterly and monthly
  - uniform price auction for day- ahead and within- day

Bundling of capacity

- TSOs to bundle firm or incremental capacity available at both sides of the IP
- single allocation and nomination
- resold as bundled on secondary market
- virtual interconnection point: where 2 or more IPs connect the same 2 adjacent entry- exit systems
- alignment of terms and conditions for bundled capacity products
- bundling in case of existing transport contracts (network users shall aim to reach an agreement on bundling of capacities; existing transport contracts for unbundled capacity cannot be renewed, prolonged or rolled over after their expiration date)

Incremental capacity process



Source: ENTSOG

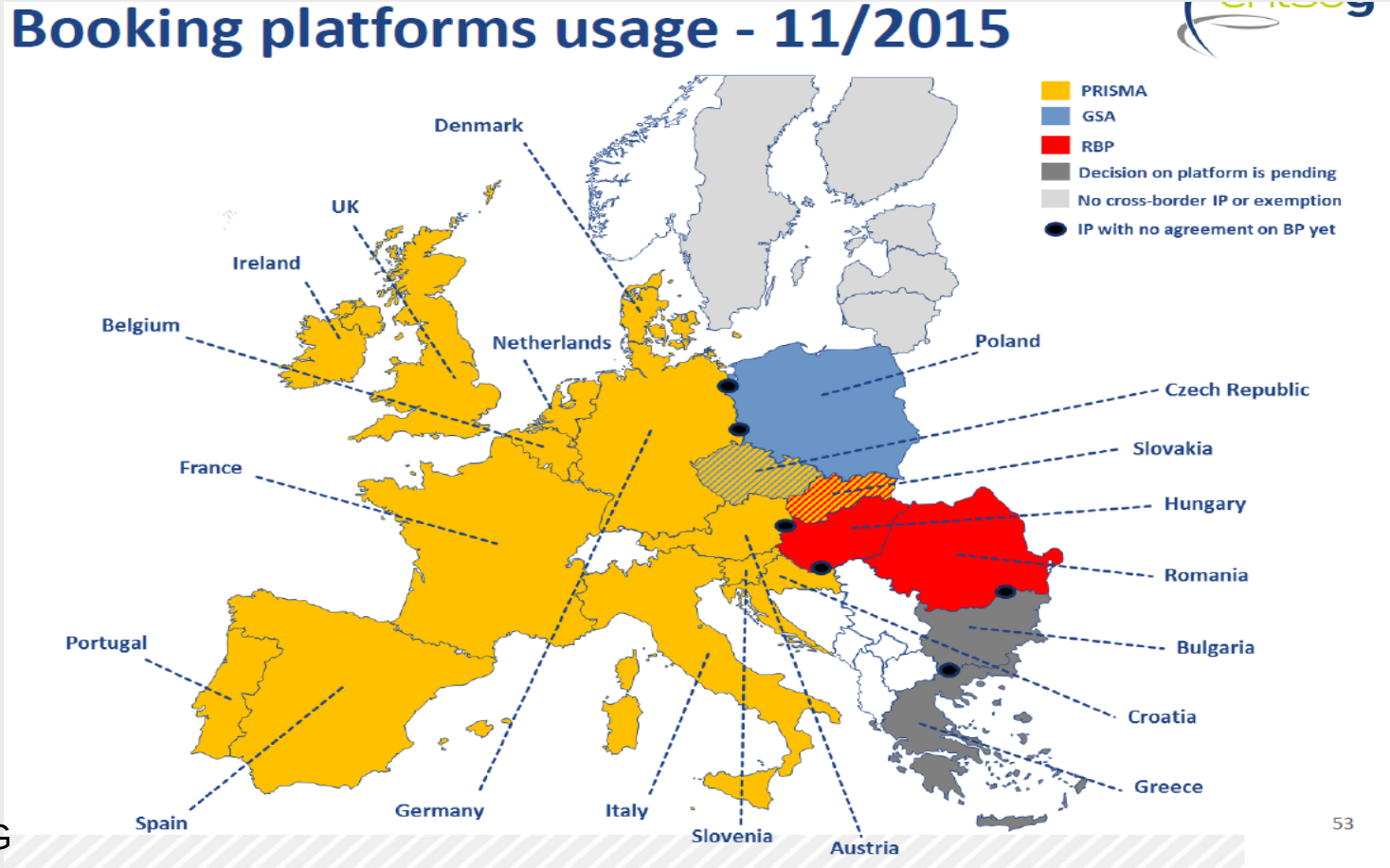
Interruptible capacity

- offered if firm capacity is not available, via auction (except within- day interruptible-only nomination)
- minimum interruption lead times
- coordination of interruption process
- sequence of interruptions
- reasons for interruptions

Capacity booking platforms (1)

- TSOs to offer capacity by means of one or a limited number of joint web- based booking platforms
- if TSO cannot decide within 3 months after new CAM NC entries into force which platform to use for an IP, NRAs will need to decide; if NRAs cannot agree, ACER will decide (for the period not longer than 3 years)

Capacity booking platforms (2)



Source: ENTSOG

Thank you
for your attention!

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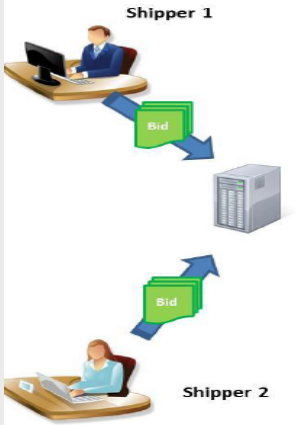
Annex 1

Art. 17
Ascending Clock Auction



Price step	Quarter 4 (example)			
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120			
1	120			

Price step	1st step	Q4		
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120			
1	120	120	100	220

Price step	2nd step	Q4		
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120			
2	120	100	80	180
1	120	120	100	220

Price step	3rd step	Q4		
	Avail. qty	S1	S2	∑
5	120			
4	120			
3	120	80	60	140
2	120	100	80	180
1	120	120	100	220

Announced price step

1. Large price steps (1,2,3,4…) announced sequentially

Source:
ENTSOG

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Art. 17
Ascending Clock Auction

Price step	4th step	Q4		
	Avail. qty	S1	S2	Σ
5	120			
4	120	70	40	110
3	120	80	60	140
2	120	100	80	180
1	120	120	100	220

Price step	5th step	Q4		
	Avail. qty	S1	S2	Σ
4	120	70	40	110
3.3	120			
3.2	120	72	45	
3.1	120	76	50	
3	120	80	60	140

Announced price step

2. When demand falls below supply, auction 'steps back' to next lowest large price step and small price steps (3.1, 3.2, 3.3.....) are announced sequentially

Price step	6th step	Q4		
	Avail. qty	S1	S2	Σ
4	120	70	40	110
3.3	120			
3.2	120	72	45	117
3.1	120	76	50	126
3	120	80	60	140

3. Auction closes and capacity is allocated when small price steps lead to demand falling below supply

Source:
ENTSOG

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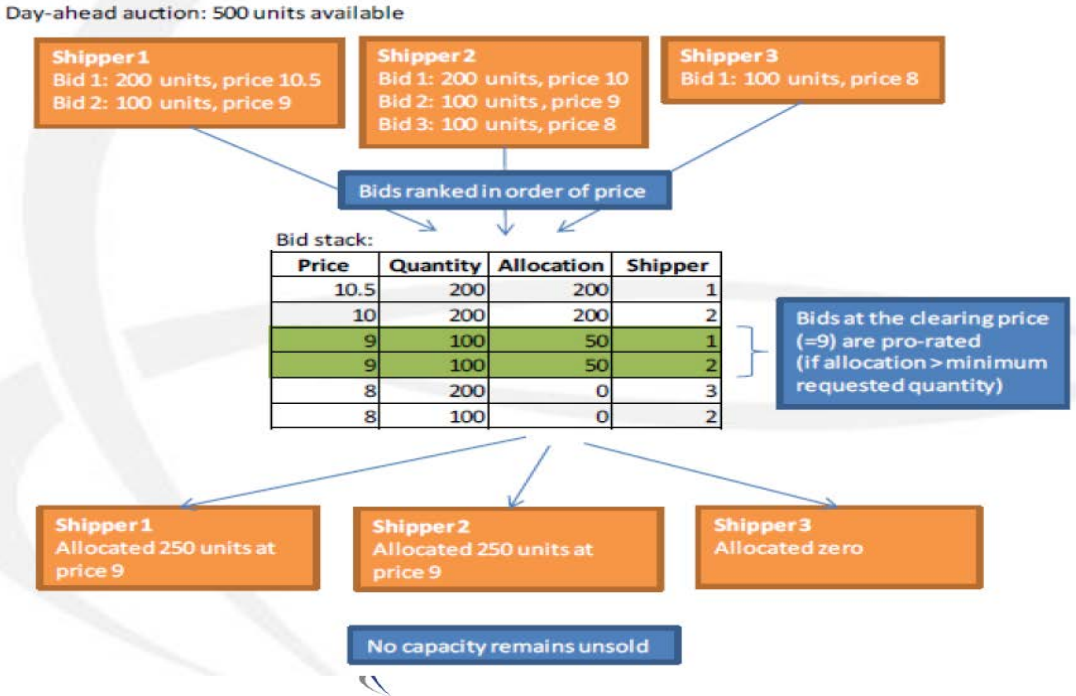
Annex 2

Art. 18 Uniform Price Auction

- For day ahead and within day auctions



Source: ENTSOG